

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SAMMART FASHION CO. LTD.,

Plaintiff,

- against -

WEAR ME APPAREL CORP. d/b/a KIDS
HEADQUARTERS and HEYMAN
CORPORATION,

Defendants.

x

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x

07 CV 4035 (DAB)

REPLY DECLARATION OF BONNIE PODOLSKY

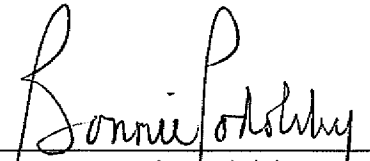
I, Bonnie Podolsky, hereby declare pursuant to 28 U.S.C. § 1746 as follows:

1. I am a member of the bar of the State of New York and am a member of the law firm of Kramer Levin Naftalis & Frankel LLP, attorneys for defendant Wear Me Apparel LLC d/b/a Kids Headquarters, as successor by merger to Wear Me Apparel Corp. d/b/a Kids Headquarters, ("Wear Me"). I respectfully submit this reply declaration in further support of Wear Me's motion to dismiss the complaint pursuant to Fed. R. Civ. P. 12(b)(6).

2. Annexed as Exhibit A hereto is a true and correct copy of a letter and attachments that I sent to Mitchell Malzberg, Esq., counsel for Sammart, on or about July 9, 2007.

I declare under penalty of perjury that the foregoing is true and correct.

Dated: October 12, 2007
New York, New York


Bonnie Hodolsky

EXHIBIT

A

KRAMER LEVIN NAFTALIS & FRANKEL LLP

BONNIE D. PODOLSKY
PARTNER
PHONE 212-715-7663
FAX 212-715-8024
BPODOLSKY@KRAMERLEVIN.COM

July 9, 2007

VIA FEDERAL EXPRESS

Mitchell Malzberg, Esq.
Mitnick & Malzberg, P.C.
29 Race Street
Frenchtown, New Jersey 08825

Dear Mr. Malzberg:

Eric Gul of Wear Me Apparel LLC ("WMA") has forwarded to me your letter dated June 22, 2007 regarding Sammart Fashion Co. Ltd.

As Mr. Gul has previously explained to you, WMA acquired substantially all of the assets, and acquired certain liabilities, of Heyman Corporation ("Heyman") in April 2006. The Asset Purchase Agreement, dated as of April 7, 2006 (the "Asset Purchase Agreement"), between Wear Me Apparel Corp., the predecessor of WMA, and Heyman, provides for the assumption by WMA of certain discreet liabilities of Heyman (Section 2.2). As defined in Article I of the Asset Purchase Agreement, "Assumed Liabilities" consist of several categories of liabilities, including "Assumed Payables." Assumed Payables consist of Heyman's accounts payable and other current liabilities incurred in the ordinary course of business, as of April 7, 2006, but only to the extent that such accounts payable and current liabilities are listed on Schedule A to the Asset Purchase Agreement. The Asset Purchase Agreement also provides that, except for the Assumed Liabilities, neither WMA nor any of its affiliates shall assume or be deemed to assume any liabilities or obligations of Heyman, "all of which shall remain the sole and exclusive responsibilities of the Seller [Heyman]." [emphasis added]. Schedule A to the Asset Purchase Agreement includes a listing for accounts payable to Sammart in the amount of \$7,124.20. Heyman provided the back-up for the \$7,124.20 figure in Subschedule iB to Schedule A.

In Section 4.8(b) of Heyman's Disclosure Schedules (relating to potential breaches of contract), Heyman disclosed Sammart's claim that Heyman owed it \$220,506.37. However, WMA did not assume any liability in respect of this claim. The only liabilities under Heyman's contracts that WMA assumed were obligations and liabilities under specified contracts accruing from and after the Closing Date [emphasis added]."

Copies of all of the relevant sections of the Asset Purchase Agreement and the related schedules are attached to this letter for your review.

1177 AVENUE OF THE AMERICAS NEW YORK NY 10036-2714 PHONE 212.715.9100 FAX 212.715.8000 WWW.KRAMERLEVIN.COM

ALSO AT 47 AVENUE HOCHÉ 75008 PARIS FRANCE

KRAMER LEVIN NAFTALIS & FRANKEL LLP

Mitchell Malzberg, Esq.

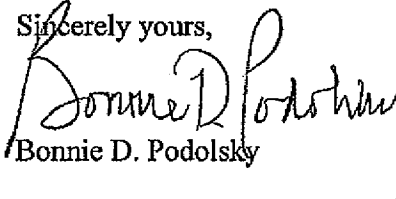
July 9, 2007

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Accordingly, the portion of Heyman's obligation to Sammart that WMA assumed under the Asset Purchase Agreement is limited to \$7,124.20. Heyman Corporation is responsible for any balance in excess of this amount. We suggest that your client contact them to recover any amounts that it may be owed in excess of \$7,124.20.

If you have any questions regarding the Asset Purchase Agreement, please feel free to call me.

Sincerely yours,



Bonnie D. Podolsky

cc: Eric Gul, Esq.
Jonathan Wagner, Esq.

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (this "Agreement"), dated as of April 7, 2006, is by and between Wear Me Apparel Corp., a New York corporation (the "Purchaser"), and Heyman Corporation, a Delaware corporation (the "Seller").

RECITALS

WHEREAS, Seller is engaged in the business of selling licensed branded and private label infant and toddler apparel and accessories, with a specific focus on the newborn to twenty-four month category, to mass merchandisers, department stores and other retailers located throughout the United States (the "Business");

WHEREAS, the Purchaser desires to acquire from Seller, and Seller desires to sell, transfer and assign to Purchaser, all of the assets of and relating to the Business (other than Excluded Assets, as hereinafter defined).

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter set forth, the parties hereto, intending to be legally bound, hereby agree as follows:

ARTICLE I

Certain Definitions

"AAA" has the meaning set forth in Section 10.15.

"Affiliate" means, with respect to any Person, any other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such Person. For purposes of this definition, "control" means, with respect to any Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through ownership of voting securities, by contract or otherwise.

"Agreement" has the meaning set forth in the preamble.

"Assigned Contracts" means each of the contracts, leases, commitments, instruments and other agreements included in the Purchased Assets. Assigned Contracts shall not include any contract, lease, commitment, instrument or other agreement that is an Excluded Asset.

"Assignment and Assumption Agreement" has the meaning set forth in Section 3.2(a).

"Assumed Contract Liabilities" means the obligations and liabilities of Seller under or related to the Continuing Licenses and other Assigned Contracts that accrue from and after the Closing Date (it being understood that, as between the Purchaser and the Seller, the Purchaser is not assuming any liability under any Continuing License or other Assigned Contract

that accrued prior to the Closing Date, notwithstanding any provision in any Assignment and Assumption Agreement to the contrary).

"Assumed Liabilities" means: (a) the Assumed Payables, (b) the Assumed Contract Liabilities, (c) the Transaction Costs and (d) the Letter of Credit Liabilities.

"Assumed Payables" means (without duplication of any liability or other obligation otherwise included in the definition of Assumed Liabilities) the Seller's accounts payable and other current liabilities incurred in the ordinary course of business as of the Closing Date, provided that such accounts payable and other current liabilities: (a) would be recorded as such on a balance sheet of the Seller as of the Closing Date prepared in accordance with GAAP; and (b) are listed on Schedule A hereto; provided, however, that Assumed Payables shall not include any Excluded Liabilities.

"Balance Sheet" means the unaudited balance sheet of the Seller as of December 31, 2005.

"Bank" means JPMorgan Chase Bank, N.A. (or its successors or assigns).

"Bill of Sale" has the meaning set forth in Section 3.2(a).

"Business Day" means any day that is not a Saturday or Sunday or a legal holiday on which banks are authorized or required by law to be closed in New York, New York.

"Closing" has the meaning set forth in Section 3.1.

"Closing Date" has the meaning set forth in Section 3.1.

"COBRA" has the meaning set forth in Section 4.14(b).

"Code" means the U.S. Internal Revenue Code of 1986, as amended.

"Contingent Payment Target" means the realization from the net proceeds of the sale of the Inventory and the collection of the Accounts Receivable, in each case as reflected on the Balance Sheet, of an aggregate amount in excess of \$15,530,000, which amount represents 90% of the sum of: (i) the Seller's gross trade Accounts Receivable as of December 31, 2005 (without deduction for any reserve reflected on the Seller's books in respect thereof); plus (ii) the Seller's Inventory as of December 31, 2005, valued at cost, net of a reserve of \$423,000.

"Continuing Licenses" means all of the Licenses other than those listed as Excluded Assets on Schedule B hereto.

"Contracts" has the meaning set forth in Section 4.8(a).

"Employee Benefit Plan" has the meaning set forth in Section 4.15(a).

"Employment Agreement" means the employment agreement of even date herewith between the Purchaser and Heyman, in the form attached hereto as Exhibit A.

2006, to the extent such fees or expenses were not reflected on the Balance Sheet, the aggregate amount of such Transaction Costs pursuant to this clause (a) to be limited in amount to the amount by which \$750,000 exceeds the amount of any Transaction Costs of the type described in this clause (a) paid by the Seller prior to the Closing, except for payments to Fort Dearborn Advisors, LLC of up to \$40,000; and (b) the amounts payable to the licensors under the Continuing Licenses in connection with the assignment to the Purchaser hereunder.

"Transaction Documents" means this Agreement, the Assignment and Assumption Agreements, the Bill of Sale, the Trademark Assignment Agreement, the Domain Name Assignment Agreement, the Liabilities Undertaking, the Employment Agreements, the Escrow Agreement, the Transition Services Agreement and, if issuable pursuant to Section 2.7 hereof, the Note.

"Transition Services Agreement" means the Transition Services Agreement of even date herewith between the Purchaser and the Seller in the form attached hereto as Exhibit D.

"2006 Adjusted Gross Revenues" has the meaning set forth in Section 2.7.

"U.S." means the United States of America.

"Vernon Hills Letter of Credit" means the standby letter of credit in the maximum amount of \$288,000 issued under the Vernon Hills Lease by the Bank in favor of the Landlord, as beneficiary.

"Vernon Hills Lease" means that certain lease between the Seller and the Landlord, dated as of September 24, 1997, as amended, for the land, parking areas and building located at 375 North Fairway Drive, Vernon Hills, Illinois.

"WARN Act" means the U.S. Worker Adjustment and Retraining Notification Act, 29 U.S.C. §2101 et seq., as amended from time to time.

ARTICLE II

Purchase and Sale

2.1 Purchase and Sale of Assets. Subject to and upon the terms and conditions hereinafter set forth, at the Closing, Seller shall sell, assign, transfer, convey and deliver to Purchaser, and Purchaser shall purchase from Seller, the Purchased Assets, free and clear of all Encumbrances (other than Permitted Encumbrances).

2.2 Assumption of Liabilities. (a) Subject to and upon the terms and conditions hereinafter set forth, at the Closing, Purchaser shall assume and pay, perform and discharge when due, the Assumed Liabilities, and no others. In the event of any claim against the Purchaser with respect to any of the Assumed Liabilities hereunder, Purchaser shall have, and the Seller hereby assigns to the Purchaser, any defense, counterclaim, or right of setoff that would have been available to the Seller if such claim had been asserted against the Seller. Nothing contained herein shall require the Purchaser to pay or discharge any debts or obligations

expressly assumed hereby so long as Purchaser shall in good faith contest or cause to be contested the amount or validity thereof.

(b) Except for the Assumed Liabilities, neither the Purchaser nor any Affiliate of the Purchaser shall assume or be deemed to assume any liabilities or obligations of the Seller or the Business, all of which shall remain the sole and exclusive responsibility of the Seller. All such liabilities and obligations (other than the Assumed Liabilities) are referred to herein as the "Excluded Liabilities." Without limiting the generality of the foregoing, "Excluded Liabilities" includes:

(i) any liability or obligation of the Seller in respect of any pending litigation, including the matters set forth in Section 4.10(a) of the Seller Disclosure Schedule;

(ii) any third party claim or other obligation that is not an Assumed Liability and that arises out of or relates to the operation by the Seller of the Business prior to the Closing Date, whether such claim is first asserted prior or subsequent to the Closing Date, including the matters set forth in Section 4.10(b) of the Seller Disclosure Schedule;

(iii) any obligation or liability whatsoever as to any employee or former employee of Seller with respect to any matter arising from his or her employment by Seller or arising in connection with any termination of such employee by Seller, including unpaid compensation, pension, retirement, accrued vacation, severance, employee welfare or other benefits, collective state or local law designed to protect employees, including equal employment laws, wrongful discharge laws, the WARN Act, I-WARN, or other rights, whether a claim with respect thereto is first asserted prior or subsequent to the Closing Date;

(iv) with respect to any employee of Seller who accepts employment by Purchaser subsequent to the Closing, any obligation or liability to such Employee arising out of any facts or circumstances, or any condition of employment, that existed during the course of such Employee's employment with Seller and continued during the course of such Employee's employment with Purchaser;

(v) any liability or obligation in respect of the Vernon Hills Lease or any other Excluded Asset, including without limitation any cost of removing Heyman's personal assets listed on Schedule B from the Vernon Hills facility or for the repair of any damage caused by such removal;

(vi) any liability in respect of the Hong Kong Subsidiary; or

(vii) except for those Taxes that are Assumed Payables and, as such, are set forth on Schedule A hereto, the aggregate amount of which does not exceed the amount set forth on said Schedule with respect thereto, all Taxes of the Seller relating to periods ending on or prior to the Closing Date and all periods beginning prior to the Closing Date and ending after the Closing Date, to the extent attributable to the period through and including the Closing Date.

2.3 Purchase Price. In consideration of the aforesaid sale, assignment, transfer, conveyance and delivery of the Purchased Assets, the Purchaser shall: (a) pay to the Seller the sum of \$14,224.462.00 at the Closing, such amount to be paid by wire transfer of:

(xi) each mortgage agreement, deed of trust, security agreement, purchase money agreement, conditional sales contract or capital lease of an amount or value in excess of \$25,000 annually;

(xii) each partnership, joint venture agreement or similar agreement providing for the joint performance of work or services;

(xiii) each agreement or commitment that requires the Seller to make unpaid capital expenditures in excess of \$50,000;

(xiv) each agreement containing a change of control provision;

(xv) each manufacturing, distribution or sourcing agreement or arrangement;

(xvi) each agreement or other arrangement pursuant to which the Seller is obligated to accept returned merchandise or grant credit for unsold merchandise in excess of \$10,000, other than as set forth in standard form, non-negotiated purchase orders or confirmations;

(xvii) each agreement or other arrangement providing for the development of software for, or license of software (other than off-the-shelf, shrink-wrap, or click-through software applications) or Intellectual Property Rights to, the Seller, which software or Intellectual Property Rights are used or incorporated in any of the Seller Products, including rights of publicity;

(xviii) each material agreement with respect to any Seller IP Rights;

(xix) each agreement or arrangement with respect to advertising (including co-op advertising) or any concept shops or in-store sales environments (i.e. shop in shops) for any Seller Product;

(xx) each agreement that obligates the Seller to indemnify a third party;
and

(xxi) each other agreement (or group of agreements) having an indefinite term or a fixed term of more than one (1) year (other than those that are terminable upon not more than thirty (30) days' notice by the Seller without penalty) or requiring payments by the Seller in excess of \$50,000 per year or the loss of which could reasonably be expected to have, directly or indirectly, individually or in the aggregate, a Material Adverse Effect.

Complete copies of all written (and summaries of all oral) Contracts required to be disclosed pursuant to this Section 4.8(a) have been made available to the Purchaser or its representatives.

(b) Except as set forth in Section 4.8(b) of the Seller Disclosure Schedule, each of the Contracts that does not expire in accordance with its terms is in full force and effect and is enforceable by the Seller in accordance with its respective terms, except as such enforceability may be limited by bankruptcy, insolvency, moratorium and other similar laws

affecting creditors' rights generally and by general principles of equity. Except as set forth in Section 4.8(b) of the Seller Disclosure Schedule, the Seller is not (with or without the lapse of time or the giving of notice, or both) in breach of or in default under any of the Contracts, and, to the Knowledge of the Seller, no other party to any of the Contracts is (with or without the lapse of time or the giving of notice, or both) in breach of or in default under any of the Contracts.

4.9 Insurance. All material insurance policies currently maintained by the Seller, or under which the Seller is insured, are listed in Section 4.9 of the Seller Disclosure Schedule. All such insurance policies are with reputable insurance carriers and provide coverage appropriate in character and amount for the businesses of Seller and its properties and assets. Except as set forth in Section 4.9 of the Seller Disclosure Schedule, there are no material pending claims with respect to the Seller or its properties or assets under any such insurance policy. The Seller has not received written notice of cancellation or non-renewal of any such policy. The key man life insurance policy issued by Sun Life Financial Insurance Company owned by the Seller insuring Heyman lapsed in January 2006. Such policy was a term policy and had no cash surrender value. The Seller does not own any other policy insuring Heyman's life.

4.10 Litigation.

(a) Except as set forth in Section 4.10(a) of the Seller Disclosure Schedule, and except with respect to environmental matters (which are addressed in Section 4.15 of this Agreement), there is no lawsuit, governmental investigation or legal, administrative or arbitration action or proceeding pending or, to the Knowledge of the Seller, threatened against the Seller or any of its properties or assets, or any director, officer or, to the Knowledge of the Seller, employee of the Seller, in his or her capacity as such, and the Seller is not identified as a party subject to any restrictions or limitations under any judgment, order or decree of any Governmental Body.

(b) Except as set forth in Section 4.10(b) of the Seller Disclosure Schedule, there are no existing claims against the Seller for goods which are defective or fail to meet any product warranties or contract, customer or industry standards.

4.11 Condition and Sufficiency of Assets. The properties and assets owned, leased, operated and used by the Seller in the conduct or operation of its Business are in good operating condition and repair (reasonable wear and tear excepted), are suitable for the purposes for which they are used and are all of the material properties and assets necessary for the conduct and operation of the Business of the Seller as currently conducted. The Seller is the sole owner of all material properties and assets, including trademarks, used by the Seller in the conduct or operation of the Business of the Seller, except for properties and assets leased or licensed to the Seller pursuant to Contracts listed in Section 4.8(a) of the Seller Disclosure Schedule, to which the Seller has a valid lease or license.

4.12 Compliance with Law; Permits; Customs.

(a) Except as set forth in Section 4.12(a) of the Seller Disclosure Schedule, during the five (5) years immediately preceding the date hereof, the Seller is and has been in compliance in all material respects with all applicable Laws governing the conduct or operation

relationship of the Business with such a customer or group of customers. The Seller generally has a satisfactory relationship with each of its ten (10) largest customers.

4.21 Absence of Certain Business Practices.

(a) Neither the Seller, nor any of the Seller's directors or officers, nor, to the Knowledge of the Seller, any of the Seller's employees or agents, have directly or indirectly (a) made any contribution or gift which contribution or gift is in violation of any applicable Law, (b) made any bribe, rebate, payoff, influence payment, kickback or other payment to any Person, regardless of form, whether in money, property or services, in violation of any Law or legal requirement, or (c) established or maintained any fund or asset of the Seller that has not been recorded in the books and records of the Seller.

(b) To the Knowledge of the Seller, the Seller's manufacturing subcontractors have manufactured Seller Products in accordance with all applicable manufacturing/labor laws and regulations, all applicable manufacturing/labor conditions, standards and requirements (including without limitation as to age, working conditions, hours worked and maternity leave) of the retailers carrying such products and in compliance with the policies and standard manufacturing agreement of the Seller as in effect from time to time.

4.22 Brokers and Finders. Except for Fort Dearborn Advisors, LLC, no broker, finder or investment advisor has been engaged by the Seller in connection with the transactions contemplated by this Agreement.

4.23 Restrictions on Business Activities. There is no judgment, injunction, order or decree from a Governmental Body binding upon the Seller or, to the Knowledge of the Seller, threatened, that has or could reasonably be expected to have the effect of prohibiting or impairing the conduct of the business by the Seller as currently conducted.

4.24 Payables. Except as set forth in Section 4.24 of the Seller Disclosure Schedule, all accounts payable of the Seller have arisen in the ordinary course of business. All items which are required by GAAP to be reflected as payables on the Financial Statements and on the books and records of the Seller are so reflected and have been recorded in accordance with GAAP and in a commercially reasonable manner. There has been no material adverse change since December 31, 2005 in the amount or delinquency of accounts payable of the Seller, either individually or in the aggregate.

4.25 Receivables. All Accounts Receivable of the Seller have arisen in the ordinary course of business, represent valid obligations to the Seller arising from bona fide transactions, and, to the Knowledge of the Seller, are not subject to claims, set-off, other defenses or counterclaims or any other facts or circumstances adversely affecting the collectibility thereof. All items which are required by GAAP to be reflected as receivables on the Financial Statements and on the Books and Records of the Seller are so reflected and have been recorded in accordance with GAAP and in a commercially reasonable manner.

4.26 Business Relations. Other than as set forth in Section 4.26 of the Seller Disclosure Schedule, (i) the Seller is not required to provide any bonding or any other financial security arrangements in connection with any transaction with any customer or supplier, (ii)

Schedule A

	Balance	Sub Schedule
AP	19,201.65	1A
Sammart	7,124.20	1B
Duties Payable	56,528.00	2
Payroll - Vacation	145,000.00	3
Sales Comm	821.35	4
Payroll Tax	23,000.00	5
Interest	4,312.74	6
Prof Fees	23,500.00	7
Royalty	531,423.84	8
Other accrued	144,880.00	9
	<u>955,791.78</u>	
Accrued Inventory	863,532.00	10
Total	<u>1,819,323.78</u>	

Sub Schedule 1B

Detailed Aged Accounts Payable -Sammart
As of March 31, 2006

Sammart Fashion Co Ltd	Ttl Debit Memos	Ttl Credit Memos	Open Invoices
CTV 5993		(160,165.70)	
CTV5980		(48,040.76)	
CTV5988		(15,062.91)	
CTV5960		(4,491.74)	
CTV5982		(4,355.25)	
CTV5965		(4,063.44)	
CTV5967		(3,802.32)	
CTV5966		(2,782.80)	
CTV5964		(2,342.08)	
CN200510005		(1,531.78)	
CTV5992		(1,429.00)	
CTV5979		(1,071.45)	
CTV5978		(586.00)	
CTV5968		(553.20)	
CTV5996		(480.75)	
CTV5976		(350.00)	
CTV5958		(343.67)	
CTV5999		(300.00)	
CTV5977		(85.44)	
DN200510006		(83.05)	
CTV5987		(55.20)	
CTV5981		(48.00)	
DN200510161	3.60		
DN200510083	8.98		
DN200510122	9.60		
DN200510047	10.05		
DN200510003	10.38		
DN200510046	11.91		
DN200412174	12.87		
DN200412172	12.87		
DN200509075	14.40		
DN200510120	15.66		
DN200512088	16.91		
DN200511011	18.20		
DN200511016	18.50		
DN200510041	19.50		
DN200512003	20.00		
DN200510013	20.50		
DN200509081	23.25		
DN200511006	24.00		
DN200509044	24.49		
DN200510123	25.50		
DN200512167	26.91		
DN200510018	27.30		
DN200510004	28.44		
DN200512122	29.19		
DN200509025	30.47		
DN200509055	31.92		
DN200601043	31.95		
DN200509058	32.51		
DN200509067	32.52		
DN200509035	32.74		
DN200510045	33.12		
DN200511066	33.30		
DN200511067	34.88		
DN200509065	35.40		
DN200509052	36.60		
DN200509058	36.88		
DN200511007	37.00		
DN200509024	37.29		
DN200509054	39.00		
DN200601045	39.15		
DN200602014	39.15		
DN200509056	39.48		
DN200509043	40.13		
DN200509062	41.25		
DN200510140	41.98		
DN200511008	42.00		
DN200511029	42.30		
DN200510121	43.19		
DN200510085	43.31		
DN200511014	43.35		
DN200510116	43.95		

Sammart Fashion Co Ltd	Ttl Debit Memos	Ttl Credit Memos	Open Invoices
DN200508085	44.31		
DN200510017	44.45		
DN200510118	44.49		
DN200508067	44.52		
DN200511004	44.64		
DN200511028	45.42		
DN200510078	45.50		
DN200512013	46.70		
DN200510153	48.30		
DN200509046	48.60		
DN200512124	48.90		
DN200412204	49.08		
DN200510064	49.40		
DN200511031	49.86		
DN200510012	50.60		
DN200508062	50.65		
DN200508068	51.53		
DN200510042	52.17		
DN200509071	52.20		
DN200511090	52.35		
DN200510080	53.30		
DN200510005	54.45		
DN200509045	55.22		
DN200509063	56.30		
DN200512142	57.78		
DN200510014	58.25		
DN200511094	58.30		
DN200602015	59.25		
DN200510130	59.90		
DN200510157	60.00		
DN200512129	60.40		
DN200511010	61.20		
DN200511003	61.80		
DN200511030	64.02		
DN200510127	64.05		
DN200511086	64.50		
DN200511087	64.50		
DN200509064	64.80		
DN200512119	64.80		
DN200508015	64.84		
DN200510183	67.05		
DN200510081	67.95		
DN200512152	68.34		
DN200510015	69.00		
DN200512007	69.30		
DN200510039	69.50		
DN200512158	72.00		
DN200512120	72.00		
DN200509048	72.78		
DN200508012	74.81		
DN200512127	75.00		
DN200511012	75.20		
DN200601039	77.02		
DN200509026	77.70		
DN200510019	77.85		
DN200509049	78.30		
DN200509057	81.00		
DN200510154	82.19		
DN200510006	83.05		
DN200510066	83.05		
DN200511017	83.40		
DN200510044	84.15		
DN200512137	85.40		
DN200509053	85.44		
DN200510043	85.95		
DN200601029	86.82		
DN200512009	87.03		
DN200511013	87.40		
DN200510022	88.12		
DN200510119	89.04		
DN200512154	89.40		
DN200511019	90.30		
DN200511018	90.66		
DN200508002	90.80		
DN200510072	93.80		
DN200510021	94.85		
DN200510128	94.95		
DN200510193	95.70		
DN200512087	96.23		

Sammart Fashion Co Ltd	TU Debit Memos	TU Credit Memos	Open Invoices
DN200601028	97.20		
DN200511034	98.40		
DN200512121	99.45		
DN200510053	101.10		
DN200510117	101.25		
DN200510138	102.72		
DN200512136	104.20		
DN200510129	104.40		
DN200510080	105.37		
DN200512140	105.93		
DN200510057	114.83		
DN200510033	114.83		
DN200510049	116.40		
DN200510050	117.06		
DN200512130	117.23		
DN200412207	120.70		
DN200601031	120.75		
DN200509080	124.02		
DN200511091	124.20		
DN200510071	125.16		
DN200511093	126.90		
DN200510040	129.30		
DN200508014	129.87		
DN200510055	131.10		
DN200510082	134.65		
DN200512134	136.65		
DN200512012	136.69		
DN200510194	138.26		
DN200509051	139.32		
DN200512141	142.77		
DN200512139	142.85		
DN200601034	146.01		
DN200511065	147.24		
DN200510002	147.40		
DN200511063	147.49		
DN200511036	148.50		
DN200511005	149.40		
DN200509023	150.39		
DN200508009	153.44		
DN200510051	155.38		
DN200508016	158.40		
DN200511068	162.42		
DN200510038	164.45		
DN200512153	164.55		
DN200510074	164.60		
DN200512126	165.20		
DN200510048	166.84		
DN200511028	169.50		
DN200510034	170.50		
DN200510106	170.76		
DN200508005	174.55		
DN200510126	176.20		
DN200601032	177.45		
DN200512005	180.35		
DN200509020	180.95		
DN200808063	181.35		
DN200512135	182.47		
DN200601027	186.00		
DN200510083	186.05		
DN200508022	188.00		
DN200510133	195.75		
DN200509066	203.81		
DN200510192	206.52		
DN200510176	209.28		
DN200510036	211.50		
DN200508064	215.28		
DN200512006	216.15		
DN200510159	218.00		
DN200510059	224.63		
DN200510112	225.04		
DN200510001	226.77		
DN200512123	228.75		
DN200601042	231.00		
DN200509072	232.72		
DN200511069	234.43		
DN200601037	234.45		
DN200508069	235.78		
DN200510068	240.60		
DN200510054	241.80		

Sammart Fashion Co Ltd	TU Debit Memos	TU Credit Memos	Open Invoices
DN200510058	244.47		
DN200510181	247.32		
DN200508090	248.70		
DN200512128	252.10		
DN200510061	263.28		
DN200508013	264.40		
DN200510113	270.22		
DN200510052	270.96		
DN200510067	272.62		
DN200512138	275.32		
DN200511089	275.90		
DN200508066	277.68		
DN200511032	279.30		
DN200512101	281.00		
DN200510184	282.30		
DN200510107	289.79		
DN200601033	295.14		
DN200510006	298.80		
DN200510037	303.30		
DN200510069	306.00		
DN200512004	312.25		
DN200512008	316.45		
DN200510191	329.10		
DN200510035	332.00		
DN200510077	332.35		
DN200511082	337.65		
DN200508011	340.00		
DN200510023	340.78		
DN200509074	341.00		
DN200510056	342.00		
DN200512155	345.89		
DN200510195	358.94		
DN200511035	364.00		
DN200511027	368.05		
DN200601044	370.88		
DN200511020	374.50		
DN200511033	382.80		
DN200509039	385.20		
DN200511089	387.40		
DN200508042	400.00		
DN200510134	410.05		
DN200601040	412.40		
DN200512125	418.05		
DN200510115	431.78		
DN200601036	446.98		
DN200510139	451.70		
DN200601035	452.77		
DN200510149	466.79		
DN200512133	471.24		
DN200512160	480.00		
DN200510076	480.77		
DN200511088	483.10		
DN200601038	495.80		
DN200512158	512.32		
DN200510007	527.22		
DN200510185	545.25		
DN200510138	550.35		
DN200510141	560.65		
DN200510073	583.96		
DN200510190	591.25		
DN200601041	598.62		
DN200510158	603.85		
DN200510114	614.12		
DN200510180	632.25		
DN200510084	639.68		
DN200510156	643.20		
DN200511084	649.49		
DN200512159	656.31		
DN200510137	673.40		
DN200510070	701.44		
DN200510160	704.80		
DN200510085	713.37		
DN200510135	719.40		
DN200601030	757.54		
DN200510182	812.50		
DN200510062	831.90		
DN200512002	883.69		
DN200507024	934.40		
DN200508056	975.71		

Sammart Fashion Co Ltd	Ttl Debit Memos	Ttl Credit Memos	Open Invoices
DN200508003	987.23		
DN200508054	1,324.26		
DN200508055	1,344.34		
DN200508039	1,722.60		
DN200511021	1,982.56		
DN200508004	2,015.49		
DN200410062	2,040.00		
DN200508007	2,413.10		
DN200511022	3,545.00		
DN200601087	4,035.00		
DN200508006	4,397.79		
DN200510088	8,245.00		
DN200508045	28,765.54		
DN200509047	28,925.00		
Grayson			13,582.50
DN200502048			2,635.00
DN200502089			190.45
DN200503168			12.85
DN200504084			37.15
DN200504201			18.80
DN200504189			70.56
DN200504188			51.19
DN200508008			291.43
DN200510075			593.74
DN200510079			193.44
DN200510094			2,707.30
DN200510155			58.00
DN200601092			2,456.93
DN200512083			62,813.86
DN200512084			19,530.69
DN200603001	\$15.27		
DN200603002	\$378.05		
DN200603003	\$846.35		
DN200603004	\$144.52		
DN200603005	\$199.25		
DN200603006	\$554.10		
DN200603007	\$289.30		
DN200603008	\$585.01		
DN200603009	\$300.75		
DN200603014	\$365.85		
DN200603015	\$438.00		
DN200603016	\$347.97		
DN200603017	\$198.70		
DN200603025	\$15.27		
DN200603031	\$354.58		
DN200603032	\$329.25		
DN200603033	\$775.61		
DN200603034	\$519.30		
Matching up w/statement til as of 3/31/06	58.00		(203.58)

Total	154,088.41	(252,004.52)	105,040.31
	Acct# 1140	Acct# 1140	Acct# 2210

Total Due less Sammart claim, net of credits	(97,916.11)
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Total Due	7,124.20
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SECTION 4.8(b) OF SELLER'S DISCLOSURE SCHEDULE

Expiration

\$220,506.37 due to Sammart for various merchandise and inventory (potential purchase order contractual breach). This is separate from the Sammart, Ltd. credit balance of \$126,893.20 referenced in Section 4.25 of Seller's Disclosure Schedule.

SECTION 4.25 OF SELLER'S DISCLOSURE SCHEDULE

Receivables

Accounts Receivable Deduction for Target Margin Support – \$175,000.00

Current reserve level: \$600,000

Additional Reserves for Year
End

Major Sales Allowances \$500,000

Off Invoice Terms \$198,000

Target \$175,000

Approved / Not taken \$258,000

Misc / Compliance \$50,000

Total \$1,181,000

As of 12/31/05, the Company has a credit balance of \$126,893.20 in the accounts payable account of Sammart, Ltd. Accordingly, this credit balance has been characterized as an "other receivable" on the 12/31/05 Balance Sheet. As Sammart has a claim, also recorded on the Balance Sheet as an "other accrued liability," to be reimbursed for unused fabric and trim purchased on the Company's behalf in the amount of \$122,000.00, the Company anticipates that the aforementioned receivable will be offset.

Index No. 07 CV 4035 (DAB)

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SAMMART FASHION CO. LTD.,

Plaintiff,

- against -

WEAR ME APPAREL CORP. d/b/a KIDS
HEADQUARTERS and HEYMAN CORPORATION,

Defendants.

**REPLY DECLARATION OF BONNIE
PODOLSKY**

KRAMER LEVIN NAFTALIS & FRANKEL LLP
*Attorneys for Defendant Wear Me Apparel LLC d/b/a Kids
Headquarters*

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(212) 715-9100

All communications should be referred to:

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